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NIGERIA'S CURRENCY REDESIGN: CASHLESS POLICY AND THE UNBANKED VULNERABLES IN NIGERIA

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Abstract

This study examined the impacts of currency redesign and cashless policy on the unbanked vulnerable people in Nigeria. The qualitative and descriptive methods were adopted for this study by describing the current Nigeria currency redesign and cashless policy on individuals who are poor and do not have bank accounts at all. It was discovered that very poor and unbanked individuals really faced tough challenges during the current currency redesign whereby individuals were using naira to buy naira at the POS outlets, banks were burnt down due to non-availability of cash for the banked. It was recommended that the Central Bank of Nigeria should push for the use of digital currency, publicity and mass education leading up to the implementation of the cashless policy should be increased.

Keywords: cashless policy, unbanked, currency redesign, vulnerable, POS.

Introduction:

It is impressive to observe the determination of the Central Bank of Nigeria, CBN, to follow through with the laudable cashless policy which it introduced into Nigeria's banking system. As the apex bank had explained, the cashless policy is aimed at scaling up financial inclusion and reducing cases of armed robbery, kidnapping, terrorism financing, advance fee fraud, graft, ransom payment, extortion and other crimes. The cashless policy is facilitated by 900,000 POS terminals, 14,000 ATMs across the country and 1.4 million agents nationwide. It is equally impressive to observe that Nigerians have embraced the CBN's cashless policy, considering the way electronic transactions have grown in recent years (CBN, 2020).

From N48 billion in POS transactions in 2012, there are N6 trillion today. Similarly, electronic transfer has also grown from N3 trillion in 2012 to N300 trillion as at October 2022 – a 7,000 per cent increase. The cashless policy is further complemented by mobile phone penetration in Nigeria which stands at 152 million, according to the Nigerian Communications Commission (CBN, 2021).

Recently, the Central Bank of Nigeria (CBN) announced that it has concluded arrangements to redesign some of the country's currency's denominations (₦200, ₦500, ₦1000 notes). It was reported by the apex bank on the 15th December, 2022 when the new notes would be rolled out, these currencies would be wearing new looks and would run side-by-side with the old notes as legal tenders until 31st January, 2023 (CBN, 2022).

The apex bank advanced several reasons as to why it was embarking on the exercise. It said, among other things, it envisaged that the proposed redesign would have significant effects on efforts to tackle insecurity, as it would dislocate the ecosystem of financial transactions in the kingdom of kidnappers. According to Emefiele (2022), about 80% of the currency in circulation is outside the banking system – a factor that eases the payment of ransom to kidnappers, and terrorists in particular, as demanded by those social malcontents. He also said it would render very difficult, if not impossible, the venture of vote-buying during the just concluded general elections. As it is customary of those vote-buying politicians, loads of cash would have been stacked in their various homes, in anticipation of the general election. So, the apex Bank governor believed redesigning the currency, which would necessitate the return of the old ones by holders to the bank in exchange for new ones. This would give the managers of the country's currency and economy the firm grip they need on the Naira, for effective management (CBN, 2022).

One of the most basic explanation of the causes of inflation as a major reason for the move (redesign of currency) was that there was too much money in circulation, chasing too few goods. "More specifically, as at the end of September 2022, available data at the Central Bank of Nigeria indicated that ₦2.73 trillion, out of the ₦3.23 trillion currency in circulation was outside the vaults of commercial banks across the country, and supposedly held by members of the public" (CBN, 2022).This translated to the fact that, 84.5% of the total amount in circulation was not within the range of the "Cash Management" system put in place in our monetary ecosystem. It was believed that once the money is returned to the CBN's vault, through commercial banks, the "physical" measure would be most effective in controlling the rising prices of commodities in Nigeria. The redesigning of the currency would help drive the much heralded cashless economy, and it would be complemented by the increased minting of the ẹ-Naira (CBN, 2022).

Moreover, among the reasons was the need to safeguard the integrity of the Naira in which the advancement in printing technology has massively aided counterfeiting of the Naira, but when the redesigned notes are out, it would strengthen the integrity of the currency, by rendering the counterfeits useless (Adu and Williams, 2023).

The CBN's Governor's position on redesign of naira notes has been hailed by many Nigerians, especially on the need to curb inflation, render cash in the hands of insurgent unusable,

undermine counterfeited ones, and prevent vote-buying. An aggregation of these, it is also believed, would shore up the value of the Naira against the Dollar (CBN, 2022).

The Minister for Finance, Budget and National Planning, Mrs. Zainab Ahmed agreed with most of the reasons advanced by Emefiele, but her reservation was based on the fact that, consultations were not wide enough to discuss the pros and cons of the move. It was alleged that (her Ministry) was not carried along, even though, the Permanent Secretary, Ministry of Finance – one of her subordinates, is a member of the CBN Board where such an issue must have been discussed to the minutest of details before the policy statement was issued. It is, therefore, expected that the Minister would, or should, have been briefed by her Ministry's representative on the CBN board. That (lack of operational synergy among sister agencies) under the Buhari administration, is never unheard of. The presidency, however, punctured the Minister's claim that consultations were not wide enough, saying it was aware, and its approval was sought and duly gotten by the CBN. After all, the CBN Governor, in line with the provisions of the CBN Act, reports, directly, and rigidly so, to the president. That however does not reduce the importance of the salient points raised by the minister, that there would be adverse effects on the economy, both at the macro and micro levels, hence, the need to discuss, how those effects would be mitigated (This Day News Paper, 2023).

Literature Review

Naira Redesign Current View

It was disclosed by some nationals that it is ill-timed for naira redesign, and that, poor Nigerians would be at the receiving end of the effects, while the rich, who are purportedly, the main targets would go unhurt. Someone like the Edo State Governor, Godwin Obaseki said, it is not in good faith, as he sees it as a ploy by the ruling All Progressives Congress (APC) to deny other politicians, on the platform of other parties, access to funds, to prosecute electioneering projects, considering how heavily monetized the country's electoral process is. According to him, it is now only the APC politicians, aided by power of incumbency, who would have access to the physical cash to prosecute the election. But according to the CBN Governor, the exercise is long overdue; it ought to have taken place, about a decade ago (This Day News Paper, 2023).

The CBN governor's intention to drive the Cashless economy with redesigning the currency, has been emblematic of the federal government's penchant for policy somersault in recent years. When the idea of the policy was first conceived, it was meant to help reduce the cost of (physical) cash management, the basis for multiple charges on depositors' accounts. The policy therefore encourages Nigerians to go electronic in their financial transactions. It was even backed-up with the massive roll-out of POS across the country. But despite the fact that Nigerians are gradually taking to "to the Cashless Economy" through electronic transactions, it's been business as usual. Apart from the introduction of stamp duty of at least, ₦50 per electronic transaction by the federal government, the manner, and frequency of charges by the banks had almost quadrupled. Some banks can charge customers for anything and send such a ridiculous message as, "Dear customer, ₦50 has been deducted from your account, to move Nigeria forward", to justify it. Being charged every month for the maintenance of an "ATM" (debit) card – something that has not been applied for the ATM card, let alone, having collected and used it. For every electronic transfer of funds now, the customer is charged ₦50, in addition to their normal ₦10, ₦25, and other inexplicable fees (Adu, 2016).

Despite Nigerian banks' blatant refusal to finance Micro, Small and Medium Scale Enterprises, MSMEs (which drive every nation's economy), pre-tax quarterly profits running into hundreds of billions of Naira were declared thus wondering on how do they come about such humongous amounts of profit, when the real sector of the economy remains recessive and unfinanced? The reason is not far-fetched. Constant and unabated pilfering of customers fund, deposited with them, provide the largest chunk of the profit (Adu, 2016).

Cashless Economy and Currency Redesign

As currency redesign which is aimed at driving a Cashless Economy looms, this is meant to protect the poor from having their hard-earned savings in their bank accounts rummaged and pilfered. The concern, as to who protects the poor, becomes more grave because there is little or no "customer-centrism" in the country's financial sector. In a saner clime, every bank would be mandated to open a toll-free channel to interface with customers who have one complaint or two, for effective and efficient service delivery and customer protection. But there is nothing like that. The few of them that manage to provide one would keep customers waiting for hours, listening to auto-responses, after when they would drop the call.

So, who protects the poor unlettered Nigerians who are still being convinced to embrace the banking system? These are the unbanked and the under-banked, who legitimately earn their income, but do not buy the idea of saving, due to the not-so-transparent conducts of most of Nigerian commercial banks that are characterized by fraudulent deductions from customers' deposits. What happens, if those categories of customers fail to be convinced to take their old currencies to the bank in exchange for the new ones on time? (Akhalumeh and Ohiokha, 2012). Under the updated regime, the bank said that effective January 9, 2023, individuals and corporate entities could withdraw a maximum of N500,000 and N5 million respectively compared to N100,000 and N500,000 which was previously announced on December 6, 2022.*It was reported by James Emejo* that the CBN's cashless policy bolstered by the recent redesigning of the Naira may have come to stay, ushering in a new dawn for electronic payment in the country.

With the 2023 general elections recently wound down, many Nigerians are optimistic that the cashless initiative introduced by the Central Bank of Nigeria (CBN) as far back as 2012 – and whose implementation became more evident following the Naira redesign programme would at least be relaxed. This is so as a section of the public believed the cashless and currency redesign policies were largely a witch-hunt and politically-motivated which the CBN Governor had vehemently refuted (CBN, 2023).

However, while the new banknotes are expected to be made more accessible to Nigerians, alongside the old naira notes, following the Supreme Court judgement, whenever the CBN deemed it fit – given that the bank has to control money supply; the policies on cashless economy, barring any policy reversal by the incoming administration – appeared to have come to stay as well as ushered in a new normal whereby electronic payments become the preferred means of transaction over cash.

It is however important to point out that despite speculations that the cashless programme may have been forced down on Nigeria or invented only because of the elections, the policy had been introduced in 2012 by Emefiele's predecessor. In fact, Emefiele noted that there had

been five reversals in the bank's attempt to go cashless and promote financial inclusion since 2014 when he was first appointed as CBN Governor, adding that the reversals were born out of the need to deepen the country's payment system infrastructure, adding that the payment system in Nigeria is now among the best six in the world (Adegbaju and Olukoyo, 2008).

But as could be witnessed over time, the apex bank had invested in infrastructure and evolved measures to encourage the participation and innovation of cashless agents across the country. Hence Emefiele said, that "we have put in place enough infrastructure that would help us attain or achieve a cashless policy that will be in line with global practices."

Naira Redesign

On October 26 last year, Emefiele unveiled the central bank's plan to redesign, produce, and circulate new currency denominations of N200, N500, and N1, 000 denominations, following the approval of President Muhammadu Buhari. According to him, the move was also aimed towards proper management of money supply, addressing currency counterfeiting, particularly the increasing ease and risk of evidenced by several security reports and the increased risk to financial stability as well as the worsening shortage of clean and fit currency, with the attendant negative perception of the central bank. Others are to discourage vote buying by politicians, curb banditry and terror financing and fight inflation (CBN, 2022).

New Cash Withdrawal Regime

On December 21, 2022, the CBN reviewed upward its cash withdrawal policy across all payment channels by individuals and corporate organisations. Under the updated regime, the bank said that effective January 9, 2023, individuals and corporate entities could withdraw a maximum of N500,000 and N5 million respectively compared to N100,000 and N500,000 which was previously announced on December 6, 2022 (CBN, 2023).

Cashless Policy Bolstered By NFIU

Earlier in January 2023, the Nigerian Financial Intelligence Unit (NFIU) unveiled new guidelines aimed at mitigating money laundering, terrorist financing, and proliferation of weapons among others.

The provisions of the Framework prohibited cash withdrawal from public accounts and ban the payment of estacodes and overseas allowances to civil and public servants in cash effective March 1, 2023, in an apparent drive to complement the efforts by the Central Bank to tackle terrorism-related financing as well as promote a cashless economy.

The Enforcement, Guidelines, and Policies for Mitigation of Money Laundering, Terrorist Financing, Proliferation of Weapons and Prevention of Predicate Crimes, was signed by the NFIU Director/Chief, Mr. Modibbo Hamman Tukur and restricts cash payments of a sum exceeding N5 million (or its equivalent) for individuals, and N10 million or its equivalent for a body corporate and imposes a fine of at least N10 million or imprisonment for a term of at least three years (or both), in the case of individuals; and a fine of N25 million in the case of a body corporate. Section 26 of POCA, 2022 makes provision for the seizure and detention of cash over the prescribed amount under the law." "Under no circumstance, shall any category of public officers be given a standing or continuous waiver to withdraw cash from any public account in any financial institution or designated non-financial institution" (CBN, 2023).

Those that need more time to haul their cash to the banks must be those who stashed the cash in warehouses and other hidden places in order to evade questions about how they earned such huge cash. By opening their doors to customers on weekends, commercial banks have also made additional sacrifices to help those still in possession of large amounts of cash to bring them to the bank. The CBN said it ordered 500 million pieces of currency from the Mint and estimates it will be enough for now for the cashless policy. To release so much cash back into circulation after mopping up the previous excessive cash outside will be counterproductive to the good aims and objectives of the cashless policy (CBN, 2020).

Trying to arm-twist bankers by threatening to issue warrants of arrest against them for the implementation of the apex bank's laudable cashless policy is suspect on the part of the lawmakers. We wonder in whose interests the lawmakers are working (Onaolapo, 2015).

Findings

It is tough to determine at this point whether the policy will be sustained or not. The pressure leading up to the elections may not have been able to change the policy but perhaps with an incoming government, there may be need to revisit the policy. Adherence to the policy would undoubtedly be good for the economy in the long run, but without adequate measures in place to mitigate against the effects, it has certainly created hardship for the entire population. Some financial analysts particularly backed the cashless and naira redesign policy of the apex bank noting that these have helped to tackle the serious security challenges bedeviling the country including kidnapping and ransom taking which appeared to have reduced following the challenges in accessing physical cash (This Day News Paper, 2023).

Conclusion

Paper cash is simply a means of exchange that has been widely adopted and extremely convenient. An informal economy like Nigeria thrives on cash but with the penetration of mobile phones to every nook and cranny, there is an opportunity to gradually introduce a new form of exchange. However, we must be mindful that change takes time.

The cashless policy is envisaged to be the next stage of economic advancement if properly implemented. The country's network backbone has not been able to support the millions of transactions occasioned by the cashless policy daily and so everyone is presently witnessing more failed transactions than before the commencement of the policy.

Recommendations

The policy has remained a commendable initiative by the Central Bank of Nigeria and should be fine-tuned to ensure that it brings a better economic experience to the people;
The cashless policy is a fantastic opportunity for the Central Bank to push for the use of digital currency, publicity and mass education leading up to the implementation of the cashless policy should be increased;

In order to encourage the adoption of e-channels; the government must do more to persuade the public about the benefits, adding that the adoption of the e-Naira has been poor even though it remains a potential game changer for the CBN;

The benefits of the policy outweigh the drawbacks, more efforts needed to be made in easing the burden of the sudden implementation;

Our lawmakers should encourage people to do more of cashless transactions instead of asking for the system to be over-flooded again with cash. Some educated nationals that have bank accounts and android phones are therefore fully in support of the cashless policy of the CBN and the Muhammadu Buhari's administration. The lawmakers should similarly lend their support to the good policy.

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